

**Members**

Rep. Peggy Welch, Chairperson  
Rep. William Crawford  
Rep. Eric Turner  
Sen. Luke Kenley  
Sen. John Broden



## COMMISSION ON STATE TAX AND FINANCING POLICY

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**Authority:** IC 2-5-3-2

### MEETING MINUTES<sup>1</sup>

**Meeting Date:** August 27, 2008  
**Meeting Time:** 12:00 P.M.  
**Meeting Place:** State House, 200 W. Washington St., Room 404  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 2

**Members Present:** Rep. Peggy Welch, Chairperson; Rep. Eric Turner; Sen. Luke Kenley.

**Members Absent:** Rep. William Crawford; Sen. John Broden.

Rep. Welch called the meeting to order at approximately 12:15 p.m. Rep. Welch introduced Sen. Kenley and Rep. Turner and described the work program that the Commission will undertake at the remaining meetings on its schedule.

The August 27 meeting was devoted to:

- (1) the consideration of a proposed economic development project known as Village Earth; and
- (2) hearing the testimony of interested parties on the practice of using the cooperative purchasing contracts of educational service centers for school roof projects.

### Village Earth

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Jeffrey Phillips, Executive Vice President of the Hoosier Heritage Youth Foundation, described the foundation's educational outreach programs and its proposal to develop the Village Earth Interpretative Center in Warrick County. The proposal calls for the construction of a multi-faceted tourist attraction anchored by the interpretative center. Mr. Phillips explained that the center would be dedicated to fostering sustainable development, conservation, and the development of renewable energy sources. The plans also include lodging, dining, and retail facilities, an aquarium, and other attractions.

Tim Mosbey, Warrick County Councilman, described the wide-spread support for the proposed development in Warrick County and among the legislators from the area. Mr. Mosbey testified that the project is dependent upon receiving funding assistance from the General Assembly. Mr. Mosbey stated that the project will not happen without that assistance.

Mr. Phillips testified that the foundation is seeking legislation authorizing the establishment of a sales tax increment financing district in Warrick County. State law would then enable 80% of the sales taxes remitted by businesses located in the district to be captured for a period of 25 years for the financing of the center and its related projects.

Mr. Tom Guevara, from the consulting firm of Crowe Chizek, projected for the Commission that the proposed project would generate approximately \$19M of sales tax revenue each year for a total of \$485.6M over the life of the district. When asked by Rep. Welch whether other revenue sources have been considered, Mr. Guevara explained that other revenue sources do not individually provide enough money but could be added to a mix of funding sources.

Testimony on the issue concluded when Mr. Larry Taylor, Executive Director of the Warrick County Economic Development Department, described the economic development occurring at sites north and south of the proposed Village Earth site. Sen. Kenley asked Mr. Taylor which aspect of the proposal was more necessary to foster economic development at the Village Earth location: the interpretative center or the sales tax subsidy. Mr. Taylor declined to pick one over the other.

Rep. Welch concluded the discussion by urging Mr. Phillips to work with Rep. Dennis Avery to bring the proposal before the General Assembly for a fuller discussion.

### **Educational Service Centers**

Mr. Gregg Sinderson appeared on behalf of the Wilson Educational Service Center (WESC). Mr. Sinderson described the history of cooperative purchasing through the WESC and similar educational service centers. He presented to the Commission a packet of information containing the following:

- (1) A copy of the Indiana University Center for Evaluation and Education Policy December 2007 report on cooperative purchasing among school corporations, charter schools, and education service centers. (Exhibit A)
- (2) A copy of the Indiana University Center for Evaluation and Education Policy August 2008 report on insurance expenditures by school corporations. (Exhibit B)
- (3) A copy of the April 8, 2005 reprinting of SB 504-2005. (Exhibit C)

Mr. Sinderson also described the process through which the Tremco Group (Tremco) bid for and won the contract to provide roofs and roofing services to the school corporations in 23

states that participate in cooperative purchasing through the Indiana educational service centers and their counterparts around the country. Mr. Sinderson emphasized that Indiana school corporations are not required to utilize the educational service centers to obtain roofs and roofing services.

Heather Macek of Barnes & Thornburg described the legal arguments in support of the arrangement described by Mr. Sinderson.<sup>2</sup> Ms. Macek testified that the roofs and roofing services purchased through the educational service centers are outside the scope of the bidding requirements of the public works law because the roofs are considered repairs that are not covered by the definition of "public work" applying to IC 36-1-12. Ms. Macek noted that the General Assembly removed the term "repair" from the definition in 1987.

Rep. Welch questioned Ms. Macek and Mr. Sinderson about the common use of the words that define "public work" in IC 36-1-12-2. Rep. Welch also asked for examples of other goods that may be purchased through the educational service centers on the grounds that the purchase is for a repair. Carpets and athletic fields were the examples cited by Mr. Sinderson.

Sen. Kenley suggested the educational service centers might consider changes to the national bidding process that could reduce the perception that a single company has obtained a monopoly. He observed that such changes might diffuse public dissatisfaction with the arrangement. Ms. Macek and Mr. Sinderson testified that the process is transparent and fair. Mr. Sinderson also suggested that there may be unintended consequences that result from simple changes to a statute.

Mr. Deryl Kratzer, President of Tremco, described his company's role in the process. Mr. Kratzer called the national bidding process an open competitive situation and testified that, "We saw an advertisement and aggressively pursued it."

Diana Vice, a resident of the Lafayette area, submitted to the Commission a folder containing materials critical of the purchase of school roofing projects through the educational service centers (Exhibit D) and a copy of her prepared remarks (Exhibit E). Ms. Vice described her concerns about a new roof purchased by her local school district, the Rossville Consolidated School District. She does not believe that the school district saved money by obtaining the roof through the WESC. She urged the General Assembly to put an end to the practice. She stated that she was primarily concerned about safety, saving tax money, and protecting local businesses. She added that it is impractical for taxpayers to travel out-of-state to observe the opening of a national contract to provide roofs through the educational service centers.

John Doerr, a building consultant and former Tremco employee, testified that the practice of school corporations obtaining school roofs through the educational service centers limits opportunities for Indiana businesses. He testified that subcontracts for the installation of Tremco roofing material are for all practical purposes limited to Tremco contractors and that Indiana architectural and engineering firms are shut out of the process. Mr. Doerr also disputed the suggestion that the cooperative arrangement saves schools money and asserted that Seymour was able to save between \$6 and \$7 per square foot when the school corporation opted against using the educational service centers for a recent project.

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<sup>2</sup> The first meeting of the Commission featured the testimony of Sen. Thomas Weatherwax who noted that members of the public have expressed their opinion that the cooperative purchasing arrangement described by Mr. Sinderson improperly avoids the competitive bidding requirements of the local public works law found in IC 36-1-12.

Mr. Jim Fisher, describing himself as a retired farmer and former school board member, advised the General Assembly that if it makes any changes to the public works law, it must make the law simple enough for school board members to understand.

Sen. Phil Boots made a few closing remarks. Sen. Boots stated that his interest in the issue is not about the practices of any specific company. He stated that his interest lies in saving money for the taxpayers of Indiana.

Rep. Welch indicated that it is unlikely that the Commission will have a recommendation for the General Assembly on this subject. She thanked everyone for their participation in the discussion and adjourned the meeting at approximately 2:30 p.m.